Thyrocare
Tests you can trust

January 27, 2025

To,

National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex,
Bandra (E), Mumbai - 400 051
(SYMBOL: THYROCARE)

BSE Limited
Phiroze Jeejeeboy Towers
Dalal Street,
Mumbai- 400 001
(SCRIP CODE 539871)

Sub: Transcript of post results earnings conference call held on January 23, 2025 with Analysts / Investors.
Ref: Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Dear Sir/Madam,

Pursuant to Regulation 30(6) read with Part A of Schedule III of the Listing Regulations, please find enclosed herewith the transcript of the earnings conference call with Analysts and Investors held on January 23, 2025.

The same has also been made available on the website of the Company (www.thyrocare.com).

This is for your information and records.

For **Thyrocare Technologies Limited**

Dorai Ramjee
Digitally signed by Dorai Ramjee
Date: 2025.01.27 16:06:39 +05'30'

Thyrocare Technologies Limited

Ramjee Dorai
Company Secretary and Compliance Officer

Encl: A/a

"Thyrocare Technologies Limited

Q3 FY '25 Earnings Conference Call"

January 23, 2025

MANAGEMENT: MR. RAHUL GUHA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – THYROCARE TECHNOLOGIES LIMITED
MR. ALOK KUMAR JAGNANI – CHIEF FINANCIAL OFFICER – THYROCARE TECHNOLOGIES LIMITED
MR. NITIN CHUGH – CHIEF COMMERCIAL OFFICER – THYROCARE TECHNOLOGIES LIMITED
MR. KAPIL GUPTA – STRATEGY AND INVESTOR RELATIONS – THYROCARE TECHNOLOGIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Thyrocare Technologies Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kapil Gupta from Thyrocare Technologies Limited. Thank you, and over to you, sir.

Kapil Gupta: Thank you, Darwin. A very good evening to all and thank you for joining us today for the Thyrocare Earnings Conference Call for the Third Quarter of FY '25. Today, we have with us Mr. Rahul Guha, MD, and CEO of Thyrocare; Mr. Alok Kumar Jagnani, CFO of Thyrocare; and Mr. Nitin Chugh, Chief Commercial Officer of Thyrocare, along with other key members of the senior management on this call to share highlights of the business and financials for the quarter.

I hope you have gone through our results release and the quarterly earnings presentation, which has now been uploaded on the stock exchange website. The transcript of this call will be available in a week's time on the company's website. Please note that today's discussion may be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. After the end of this call, in case if you have any further questions, please feel free to reach out to the Investor Relations team.

I now hand over the call to Mr. Rahul Guha to make the opening remarks.

Rahul Guha: Thank you, Kapil. Good evening, and welcome to all on the call. Thank you for taking out time from your busy schedules to join us this evening. Just a quick introduction to us on the call. My name is Rahul Guha; I am the MD and CEO of Thyrocare and thank you for the opportunity to present the Q3 results of FY '25. I'm joined by my colleague, Alok Kumar Jagnani, who is our CFO; Nitin Chugh, who is our Chief Commercial Officer; Kapil Gupta, who is part of our Strategy and Investor Relations team.

As in all my calls, I will start with a quote from Nelson Mandela in recognition of our foray into Africa. "It is in your hands to make a better world for all who live in it." And we believe Thyrocare can bring our business model to Africa to make affordable and good quality diagnostics available to all.

Before we get into the details of this quarter, I'll reiterate the pay-for-performance pricing structure that we implemented in 2023. Earlier, our discount was one size fits all, but now we have moved to a slab-based pricing model, which we implemented last year. It's been close to 1.5 years since that implementation, and this has led to an increased energy with our franchisee network with motivation to move up volumes and enter higher slabs. It will result in a movement towards larger franchisees and enable much greater reach from our large partners.

Quality remains our highest priority, and we see it as a continuous journey of improvement and innovation. We are immensely proud to share that now we are India's first and only 100% NABL accredited national laboratory chain. This prestigious milestone reflects our unwavering commitment to delivering world-class diagnostic services, and it is the result of relentless dedication to quality excellence.

Achieving NABL accreditation across all our labs has been made possible through the implementation of robust quality management systems, investment in cutting-edge technology and equipment, rigorous training programs for our staff, and consistent participation in proficiency testing.

Considering that only 2% of pathology labs nationwide hold this accreditation, this achievement is not just a significant milestone for us, but also a testament to our leadership in redefining diagnostic standards across India. Further, to validate our commitment to quality, we conducted an independent study published in the International Journal of Advance Research, Ideas, and Innovations in Technology.

The findings revealed that 9 out of 10 doctors trust Thyrocare reports and confidently recommend our services to their patients. This recognition highlights the dedication and hard work that we have consistently invested in upholding the highest standards of quality.

Also, recently, we were recognized and rewarded by the College of American Pathologists, CAP, in short, for maintaining excellence in high-quality laboratory care for 15-plus years. CAP is an international gold standard accreditation that represents the top-tier quality in pathology and laboratory medicine.

We regularly host advisory board meetings with a panel of esteemed doctors to gain their insights on enhancing our quality milestones. Doctors witness our cutting-edge technologies and stringent protocols, reinforcing our commitment to diagnostic excellence.

I'm also very proud to say that recently, we launched the largest HbA1c study across the country, wherein we have studied 20 lakh HbA1c results to publish the largest insights on HbA1c in the country. While maintaining the highest quality standards, on an average, we released the report within 3.65 hours of samples reaching the lab.

This rapid turnaround is made possible by our robust operational processes, advanced automation systems, and streamlined workflow. By combining precision with efficiency, we ensure timely and accurate diagnostics, which empowers patients and health care providers to make informed decisions swiftly.

Beyond the work on quality, we continue to selectively expand our offering. Aarogyam has been our flagship brand in the preventive health care segment, and now we have Jaanch as our disease-specific packages. Jaanch, as I have said before, is targeted towards lifestyle challenges or for you to better understand your health.

We have solutions across the spectrum for anything you might be worried about. Is it fever or something more serious? Why is my hair falling? Is pollution affecting my health, cancer screening, as well as deep investigations for common chronic diseases like diabetes and heart health.

We are very proud of some of the key milestones we have achieved in this quarter. We have 9,100 active franchisees. As a result, we processed 5.9 million samples and served 3.9 million patients in this quarter, which is 15% and 13% year-on-year growth, respectively, in volume. Total tests conducted during this quarter was around 39 million, which grew by 14% year-on-year.

We are regularly taking strategic initiatives to further expand our footprint. In July 2024, we acquired Polo Labs, which is a pathology diagnostic company based out of Punjab, with a presence in Punjab, Haryana, and Himachal Pradesh. This allows us to expand our footprint in North India.

We also acquired the clinical diagnostics business of Vimta Labs in October 2024. Vimta's Clinical Diagnostics division, with its established presence in Telangana and Andhra Pradesh, offers us an excellent opportunity to further strengthen our presence in South India.

Partnerships business did phenomenally well in the quarter, as you have seen in past quarters as well, and grew as we onboarded new clients in health tech segments and continue to grow the existing accounts. Also, with the acquisition of Think Health last year, it has strengthened our offering for the insurance segment with the additional capability of ECG at Home.

Now we are covering ECG at Home services in 1,000-plus pin codes with a dedicated fleet of 125 ECG Phlebos. This allows us to give our insurance partners a one-stop solution for blood and ECG testing and further deepens our presence in the pre-policy medical checkup and annual health check-up market.

And now we are the company who offers health checks with ECG at Home, and I'm sure that will enhance our Aarogyam brand. In Tanzania, since going live in March 2024, and processing our first sample in April, we have successfully partnered with over 100 health care facilities in Dar es Salaam.

Our mission is to continuously collaborate with major hospitals, ensuring they have access to comprehensive diagnostic services. With our state-of-the-art laboratory equipped with world-class machines and infrastructure, we are poised to make a significant impact on health care in that region.

With that, I will now hand over to my colleague, Nitin, to cover the highlights for the quarterly business performance.

Nitin Chugh: Thank you, Rahul. A warm welcome to each one of you. First, I would like to start with our pillars of growth, which have been contributing strongly to our consistent performance. The first is customer success. The focus is to ensure accurate, timely and affordable diagnostic services through quality control, robust data management and customer support.

With advanced technology and streamlined processes, we aim to enhance customer satisfaction. Just to give you an example, we have now started showing the turnaround time for reporting as a guidance to our franchise network, which is further helping our franchises on predictability of reports delivery.

The second pillar is network expansion. We are deepening our presence across India by going deep into the country with our franchise network and through our acquisitions as well. Also, on the partnership side, we are expanding our footprint by going deep into the pre-policy medical checkup and annual health checkup in the insurance business.

The third area where we are now focusing is to enhance our menu expansion and visibility. We are introducing a wider range of specialty tests and health packages for our partners using targeted marketing to drive adoption and increase value for both partners and our customers. Again, an example of this is introduction of Fetal Medicine Foundation backed certified pregnancy markers and starting histopathology and cytology in-house in our labs is a testament of our focus on expanding our menu with highest quality standards.

Now I will briefly update you about the business performance highlights for the third quarter of FY '25. Overall, at a consolidated level, we did a 23% year-on-year revenue growth this quarter, primarily driven by our pathology business. Our franchise business showed a revenue growth of 24% year-on-year. This includes 5% of inorganic growth coming from our recent acquisitions of Polo and Vimta, and 19% organic growth, and this has come on the back of focus on customer success, menu expansion and network expansion.

Our partnership business grew by 23% year-on-year, wherein our API PharmEasy Diagnostic business also showed a growth of 19% year-on-year. Radiology business, including Pulse Hitech, did a strong revenue growth of 13% year-on-year.

With that, I will hand over to my colleague, Alok, to cover the results.

Alok Jagnani: Thank you, Nitin, and a warm welcome to everyone joining us today. Before we dive into the specifics, I would like to emphasize that while the pathology diagnostic industry is growing at an early to mid-teen rate, we have consistently achieved mid-teen to high-teen growth over the past few quarters. This sustained outperformance reflects the strength of our leadership and our ability to capitalize the on-market opportunity.

Before diving into the financials, I would like to revisit our ESOP program, which has been focused in previous quarters. This initiative introduced at a group level is designed to retain the talent at Thyrocare. The ESOP issued at our parent company will vest according to the policy. From an accounting standpoint, these are recognized as an expense in the profit and loss account and as an equity contribution from the parent in the balance sheet.

It is important to emphasize that this is a noncash charge and does not impact the company cash flow. Accordingly, we calculate a normalized EBITDA to account these expenses. Further details can be found in the accompanying presentations uploaded.

This year, as the Thyrocare ESOP program is coming to an end, the group has expanded the API ESOP pool to the senior management at Thyrocare. For the quarter, revenue stood at INR153 crores stand-alone, and at a consolidated level, INR166 crores, reflecting a 23% year-on-year growth.

This growth was driven by strong 24% rise in franchisee revenue and a 23% increase in partnership revenue. Total pathology revenue grew by 24% year-on-year, while the radiology revenue saw an increase of 13% year-on-year. On the total 23% revenue growth, 19% has driven from organic, while the remaining 4% resulted from the inorganic expansion.

Think Health and Polo business have largely stabilized and now fully integrated with the Thyro ecosystem. Meanwhile, the acquisition of Vimta Clinical Diagnostics is currently in the transition phase with operations expected to stabilize and consolidate within the next 3 to 6 months' time.

Our stand-alone gross margin for the quarter was 72%, up by 181 basis points, primarily due to onetime audit note and basis volume targets with our vendors -- correction, onetime credit note and basis volume target from our vendors. Employee expenses increased year-on-year, driven by annual increment and headcount growth from new business acquisition.

The stand-alone normalized EBITDA margin for the quarter stood at 31%, an increase of 375 basis points, primarily due to margin improvement and operating leverage. EBITDA margin in radiology business, NHL, has improved as compared to the last year due to growth in revenue and efficiency in other expenses.

At a consolidated level, gross margin stood at 73%, while the normalized margin -- EBITDA margin was 30%. Our normalized EBITDA grew by 42% year-on-year, while reported EBITDA increased by 32% year-on-year and PAT increased by 30% year-on-year. This performance was achieved despite margin pressure from recent acquisition, geographic expansion, high noncash ESOP costs, and increased depreciation expenses due to the change in accounting estimate.

Now I will hand over the call to Rahul for strategic updates.

Rahul Guha: Thank you, Alok. Briefly, I would like to take a few minutes to recap to you our strategic direction, and then I will open it up for Q&A. First, I will reiterate our value proposition to the customer. We will continue to remain an affordable option to all patients with good quality and on-time reports.

All our efforts on our value proposition is towards ensuring low cost to the patient, assurance on quality of testing through our certifications and engagement with doctors. We have made tremendous progress on this, which I've updated in my initial comments, and is reflected in detail in the presentation. This will remain at our core and will continue to guide all that we do.

Second, our strategy. We continue to maintain our strategy of being the B2B partner of choice to all front-end diagnostic services companies in India, whether it is a small diagnostic center in a semi-urban area, a pharmacy in a metro, a small nursing home, an individual doctor, or a leading online diagnostics platform, a health tech marketplace.

We are happy to work with them to provide low-cost, robust testing solutions, so that they can serve their patients in the most effective manner. If they require phlebotomy or ECG at Home, we are happy to mobilize our network of almost 1,500 phlebotomists, including our network partners, to serve them better.

We remain dedicated to expanding our business. And with the acquisition of Polo Labs and Vimta Clinical Diagnostics, we plan to significantly increase our presence in North and South India, respectively. Additionally, to further boost our partnerships business, the acquisition of Think Health allows us to offer ECG at Home services, further enhancing our value to our insurance partners.

This strategy has been working well for us with both our franchise and partnerships businesses posting strong growth. That in a brief is our mandate as management. Thank you so much for giving us a patient hearing. I will once again end with a quote from the Mahatma. "Find purpose, the means will follow." And our purpose remains to provide affordable, high-quality testing to the masses.

With that, we'll open up for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Prakash Kapadia from Spark PMS. Please go ahead.

Prakash Kapadia: A couple of questions from my end. Generally, we've seen Q4 is a strong quarter for us. So, what kind of growth are we looking at on a sequential basis? And also, if you could comment on the range of health packages we have? And what is the contribution to our annual sales maybe last year and currently in the 9 months? That's my first question.

Secondly, on the franchisee network, can you share some color in terms of contribution for 9 months in terms of silver, bronze? How is the strategy of focusing on larger franchisees? How is the throughput increasing through them? And what kind of franchisee addition is possible from here on, say, next year and beyond?

And lastly, there have been media reports suggesting PharmEasy is contemplating a reverse merger with Thyrocare. So, any comments, any discussions? So, these were my 3 questions.

Rahul Guha: Sure. Prakash, thank you for the questions. And see, the momentum for the business, as you can see, is quite strong, right? If I look at YTD also, we have kind of landed at around 20%, whereas in the beginning part of the year, I was indicating mid-teens is what I would be happy with.

Of course, Q4 last year was very good for us also, right? So, when you look at it on a year-on-year basis, it is off a very good quarter. And yes, while definitely Q4 will be much better than Q3, to give you a specific growth number at this point in time will be difficult. But I will be happy if we are able to continue the YTD momentum into the fourth quarter as well, right? That is as much as I can kind of speculate at this point.

With regard to package mix, see, we have 2 main brands. We have Aarogyam and Jaanch, right? Aarogyam roughly accounts for about, I think, last, about 35% of our total sales, right? And Jaanch would be about, I would say, 3% to 5%, in that range. Jaanch has doubled over the previous year. Aarogyam continues to kind of track our normal growth.

So as a mix, it is growing, Jaanch, but it is off a small base, because the brand is a little over a year old. So, it will take some time to mature. But the growth rate is very encouraging, right? So that is that. Now when it comes to the mix between franchisees, right? So, I guess you are quite privy to our categorization of diamond. So, diamond to silver, Prakash, has grown -- at a volume level, it would have grown at about 25%, and bronze and others would have grown at 9% on a volume level.

Prakash Kapadia: Okay. So, it's in line with -- the strategy is working?

Rahul Guha: Yes, very much in line with what we were planning. And as that mix shifts also, we get much better retention, much better average revenue per franchisee, because everyone is incentivized to move up the ladder, right? So that goes very well for us. On the pharmacy point, see, firstly, the media reports are idle speculation.

It's very difficult for me to comment on articles that are speculative in nature. What I can tell you is at the Thyrocare Board, none of this has been discussed or contemplated. So, it seems like this is just media speculation at this point in time.

Prakash Kapadia: Understood. And if you could comment on the range of packages. You obviously mentioned the contribution of Aarogyam and Jaanch. So, the range of packages which we have at Aarogyam or Jaanch. Jaanch obviously would be much smaller in terms of pricing because it's bucketing into different segments. So, what kind of a range of package, say, starting from INR2,000 to INR7,000, or Jaanch would be INR500. Some color on the pricing or the range?

Rahul Guha: Sure. Maybe I'll let Nitin also chip in. But just to give you a sense, Aarogyam actually starts from Aarogyam A to Aarogyam XL. Aarogyam A is priced at INR1,000. Aarogyam XL is closer to INR10,000, right? So, starting from INR1,000 to INR10,000, we have the full range of packages.

And the number of parameters start at about 40 and go to almost 200 plus in our largest thing. I think Aarogyam XL has 139 or 145 if I remember. So, we have the full range. That being said, the most popular package is Aarogyam C, which is in the INR2,000 to INR2,500 range. Nitin, you want to add anything?

Nitin Chugh: Yes, that's absolutely correct. And if you talk about Jaanch also, see, Jaanch also covers various types of therapy areas. So basis the type of therapy area and what test it includes, it also starts, the basic test of Jaanch for a certain therapy starts about INR1,000-odd range -- INR800 to INR1,000-odd range, and they also go up to like INR4,000, INR5,000 kind of range.

Prakash Kapadia: Okay. That's a broader range. Understood.

Moderator: We have the next question from the line of Ashutosh Parashar from Mirabilis Investment Trust. Please go ahead.

Ashutosh Parashar: Congrats on another good quarter. So, a couple of questions. First is on the Vimta Labs acquisition. So, if you could just share how long has it been consolidated in the current quarter's number? And run rate wise, what is the current quarterly run rate you are expecting it will generate in the coming quarters, and maybe outlook on the next year after all the consolidation happens? So first is on that.

And second is on -- so we have been focusing on partnering with a lot of insurance players and med tech players on the pre-policy health checkup and annual insurance health checkup plans. So, if you could give us some numbers on number of partners that we are currently working on in insurance space and the med tech space? And how much is it contributing in the entire partnership revenue pool?

So, these are the first couple of questions. And then lastly, on the new ESOP pool that we are creating, what is the pool size and how will it be amortized in the P&L over the next few years? So those will be the questions.

Rahul Guha: Sure. So, I'll break it up. I'll let Alok take the Vimta question, and I will let Nitin take the insurance question. So Alok, if you would like to cover when we acquired Vimta, how much does it sit in this quarter? And what do we think will be the run rate over the next few quarters?

Alok Jagnani: Yes. Thank you. So, Vimta, we had acquired mid-October, and it's only 2.5 months has gone. Vimta is in a stabilization phase, and it will take another 3 to 6 months' time to consolidate and set up with the entire Thyrocare ecosystem. In terms of revenue, around INR4 crores, INR4.5 crores has been added on account of Vimta in the Q3 as inorganic growth, which we have seen highlighted also that around 4% of the total revenue contribution has come from inorganic, in which INR4.5 crores is contributed by Vimta.

When we had acquired Vimta, Vimta had a turnover run rate of INR2 crores approximately with a mix of B2B and B2C business. And we are trying to retain the maximum what we can retain the business, because there's a lot of mix, B2B and B2C. We are primarily a B2B player and also focusing what B2C -- with various means of strategy what we are going to do. And the lab consolidation and other activities are in progress. So, in the next 6 months, the entire consolidation, the transitions are going to be completed.

Rahul Guha: So, I would say, if you're looking for a forecast, you should not look at more than between INR3 crores and INR4 crores a quarter at least for the next 4 quarters until we stabilize Vimta. And then we will see from there whether we grow under the Vimta brand or we use that network to expand the Thyrocare brand in AP and Telangana, and then therefore, where the revenue gets reported.

But at a steady state, at least for the next 2 quarters, I can definitely say don't expect more than INR3 crores to INR4 crores a quarter from Vimta. Nitin, do you want to take the insurance question?

Nitin Chugh: Yes. So, insurance business, we have taken some steps towards increasing that, especially in the quarter 3. We are now working with -- I cannot obviously name the partners right now, but we're working with more than 5 aggregators or TBAs, which in turn service about 10-odd insurance partners.

And this business, especially on the PPMC side has been steadily growing and contributes to almost 10% of the partnerships business. This is excluding API PharmEasy. The remaining partnerships business, more than 10%, around 12%, 13% is contributed by insurance.

Rahul Guha: He was also asking like how many insurance...

Nitin Chugh: I just told that we work with health aggregators and partners. There are about 5 to 6 that we are currently working, which in turn service about 10, 12 insurance partners.

Rahul Guha: On the ESOP pool question, there was an old ESOP pool of about INR43 crores that was at the -- actually, first, let me clarify. These are API Holdings' ESOPs, not Thyrocare ESOPs, so there will be no dilution of Thyrocare shareholding as a result of these ESOPs. These are ESOPs granted by the parent to employees of the subsidiary.

The second point is there is a noncash charge, which Alok already explained once. It's routed via the P&L, but it has no cash impact on Thyrocare. The old ESOP pool, which was at the pre-IPO price of API, was about INR43 crores. And the new ESOP pool is about INR47 crores, which is at the revised price.

So, there are 2 things that have happened. One is, of course, the old ESOPs have already been fully charged into the P&L. But given the prices at the API side, to retain the talent, the API Group felt it was prudent to expand the pool. So actually, there was a very limited pool in Thyrocare that was getting API ESOPs.

Now it's a much broader set of employees who are getting these ESOPs. The ESOPs are being charged over the P&L over a period of 6 years, and that is the broad vesting schedule as well. So, it's there to ensure that the talent remains for the long term to create value for the business. I hope I've answered all your questions.

Ashutosh Parashar: Yes. Just one follow-up. So earlier pool, we have charged fully to the P&L, and the new, INR45 crores, roughly, pool will be charged over the next 6 years?

Rahul Guha: Yes. You would see in the P&L roughly about INR7 crores charge in this quarter. That, of course, comes down as the calculation pans out, but you'll see it in the P&L.

Alok Jagnani: So, in the initial years, like the vesting period is 5 years and 6 years, depending upon the vestings what grant has offered. And the initial, first year, second year, and third year, the charge to the P&Ls are going to be on higher side, whereas over a period of 4 years, 5 years, we will find that the charges are comparatively much low.

Ashutosh Parashar: Got it. Just one last follow-up on the Vimta Labs acquisition. So, during the time of acquisition, I guess, in our filings, we had mentioned that it had Q1 revenues of around INR7 crores. So, anything that we had closed down from the acquisition that has led to this reduced run rate from INR7 crores to roughly INR3 crores to INR4 crores?

Rahul Guha: Yes. There were some businesses that were being done for clinical trials in Vimta, which we did not want to continue. And then there were some geographies, while we had acquired Vimta to deepen in the south of India, but Vimta had also labs in UP, Odisha, where the Thyrocare network is already very strong. So, we didn't see any sense in duplicating that network. So that business, we moved into Thyrocare. And whatever remaining Vimta business is largely focused on South India.

Moderator: The next question is from the line of Bino Pathiparampil from Elara Capital. Please go ahead.

Bino Pathiparampil: Congrats on a good set of growth numbers. Just a couple of clarifications. The 38 labs count that you have given, does that include all the Vimta, Polo, all these acquisitions that you have done?

Rahul Guha: Sorry, you said 38 lakhs?

Bino Pathiparampil: 38 labs, count of lab.

Rahul Guha: Yes, that includes Vimta and Polo also.

Bino Pathiparampil: Okay. Great. Second, on the ESOP cost continuing. So, this quarter was INR7.2 crores. So, for the next 3 more quarters, should we expect a similar number, INR7 crores roughly a quarter?

Rahul Guha: Roughly. It will go down marginally, because the original INR3.1 crores will come down, right? So, to that extent, you will see some benefit, but it will be in this range.

Alok Jagnani: In addition, if additional pools are going to be offered -- added, then the charge will be higher. Otherwise, it will be more or less flat.

Bino Pathiparampil: Okay. So, is it going to be an ongoing process, the addition of pools? Or was it a onetime exercise?

Rahul Guha: No. Largely, it was a onetime exercise. I don't anticipate too many more pools being created at this point in time.

Bino Pathiparampil: Okay. Understood. Second question on depreciation. In your notes, you have said that you have reassessed the life of some of your machines. And...

Moderator: Ladies and gentlemen, the current participant seems to have dropped from the queue. We have the next participant, Mr. Abdulkader Puranwala, with the next question. Please go ahead, sir.

Abdulkader Puranwala: Just on this ESOP charge again. So, the INR7.7 crores, I mean, if you could help us understand how -- what would be that number in FY '26 and '27? I understand there might be a certain drop, but if you could help us quantify that?

Alok Jagnani: So here, like Rahul mentioned that the pool is -- new pool of INR47 crores has been added in this ESOP API, and which is going to be a vesting period of 5 years. So, in this quarter, the charge has come INR7.7 crores. And in subsequent quarters, we will see more or less -- at least next 2, 3 quarters, we'll see the same charge or slightly lower charge.

And then the impact of second year and third year is going to be 31%, then 20%, and then 14% and all, which you see the last, because it has a present value impact, pricing impact, and timing gap, because first year...

Rahul Guha: What we'll do is next quarter, we'll include the charge schedule, so that you can see it. We'll show it for the full year, and we'll give you a schedule of how it will be charged in the P&L over the next 2, 3 years. But as Alok said, of the total pool of INR47 crores, typically 30% is charged in the first year, 20% in the second year, I think 15% in the third year, and then it goes...

Alok Jagnani: That's normally that.

Abdulkader Puranwala: Got it, sir. Yes, that would be helpful if you can add that to the presentation. Sir, second is on the depreciation cost, where I understand there was some asset-related adjustment. So just wanted to understand, first of all, at a consol level, the INR17 crores of depreciation cost, does that include any one-off? Or this is the quarterly run rate to what we can see in quarters ahead as well?

Rahul Guha: I'll let Alok take this.

Alok Jagnani: Yes. So, there is a one-off here. So, we have revised our assets' life expectancy. And based on the revised expectancy of assets' life, the depreciation hit has come, and hit has taken on prospectively -- onetime hit has come in the depreciation because of the revised estimates of depreciation is INR4.75 crores.

The main call what we have taken like we were having the old assets, which we are depreciating at a life of 12 years to 14 years, which we have revised to 7 years. Because of the change in life expectancy, the depreciation impact has come.

Rahul Guha: I guess the question is, this INR4.7 crores, do you expect it next quarter?

Alok Jagnani: No, it's a onetime. Yes.

Rahul Guha: So, to answer your question, Abdulkader, there is a one-off in there, and that's largely due to the revision in policy.

Abdulkader Puranwala: Okay. So INR4.75 crores will be the one-off this quarter. Understood. And sir, on your operations in Tanzania, heard in your opening remarks about 100 health care units you have been tied up with. Any color on what is the revenue potential you see coming from Tanzania, what we are doing and what sort of margins you can make there?

Rahul Guha: I'll let Nitin take that. As I said, look, we processed our first sample in April, right? So, we have started to get initial samples from hospitals. And in Tanzania, it's largely polyclinics that work with us. But they are trying us out right now. So, it's not a, how do you say, very large business at this point. I think in Q3, it would be about INR35 lakhs of top line. But I'll let Nitin give some more color on this.

Nitin Chugh: Yes. So, see, it started in Q1 of FY '25, right? And quarter 2 was like INR10 lakhs a quarter, and then we moved to INR30 lakhs. It's still at a very nascent stage. So, any kind of guidance is very difficult to be given at this point. It's just that we are on the ground working and tying up with more and more partners.

We have crossed 100 partners in the Dar es Salaam region, which, like Rahul said, are trying us out. So, it's a matter of time where we slowly not only just increase our partnership base, but also increase wallet share from existing partners once they have started trying our services.

Abdulkader Puranwala: Got it. And sir, just final one from my end. In terms of your capex program. So earlier you were talking about some refurbishment capex for the radiology business. So, have we completed that? And how do we see the capex spending, say, for FY '26 and '27, if you could give us some color there?

Rahul Guha: Sure. So firstly, on the radiology business, we have not incurred a large amount of capex, nor is there any plan to significantly invest in capex in the radiology business. The machines are old but still running. And at this point, we will look at refurbished options should machines come to end of life, but we are not going to put in a lot of fresh capex into this business.

When it comes to our total capex that we have spent in this year, I think up to Q3, we've spent about INR15 crores. And I think over the entire year, you can assume maybe another INR10 crores odd. So that is broadly -- which is the new labs and that I had indicated in the beginning. But I think that's about it.

Moderator: We have the next question from the line of Shivam Saxena from ICICI Bank. Please go ahead.

Shivam Saxena: Just having a question on -- is there any impact of -- recently, India has banned import of refurbished machines. So, any impact do you see on your operations? On your course?

Rahul Guha: We stopped the policy of buying refurbished machines, I would say, almost 2 years ago. All the machines that we buy today are brand new top-of-the-line equipment. So, we haven't been impacted in any way by this.

Shivam Saxena: Okay. And how do you see pricing environment going forward in this space?

Rahul Guha: The pricing environment, as I've been saying over the last 3, 4 quarters, has softened. I'm not seeing as much price competition as we did, let's say, last year at the same time. A lot of rationality has set in. And so, we are now mostly competing on service and quality rather than price.

And this is a sector which, to some extent, deep discounting doesn't work, right? And I think many players who try to take away share from this business by doing deep discounting have realized that one, you don't get the volume; two, your cost structure remains unsustainable. So, I'm seeing a fair amount of rationality in pricing right now.

I'm not saying -- India's prices still remain the lowest in the world. But at least within India, definitely some easing up on price competition we have seen over the last 2, 3 quarters and hopefully will continue for some time.

Moderator: We have the next question from the line of Aditya from Securities Investment Management. Please go ahead.

Aditya: I just needed one clarification. So, since all the ESOPs have been done at API level, so ideally, there shouldn't be any dilution at Thyrocare. But when I look at Q-o-Q, our number of shares have increased. So, what has led to that?

Rahul Guha: Yes. So one is, let me confirm, there is no dilution in Thyrocare. I will say it repeatedly. However, as I have mentioned, there is a Thyrocare ESOP program that is coming to the end, right? So, the share increase that you're seeing in the BENPOS and in the shareholding reporting is basically the shares under the Thyrocare ESOP program that were declared granted and vested by Thyrocare employees, and now they hold the shares in their hands.

Moderator: The next question is from the line of Ashutosh Parashar from Mirabilis Investment Trust. Please go ahead.

Ashutosh Parashar: So just another question on Vimta was what is the kind of profitability profile that it is currently working on? And after ESOP, if we look at the margin of around 25.2%-odd that we reported during the quarter, do we expect it to increase from the next quarter? Or will we have some kind of impact from the acquisition?

Rahul Guha: Sorry, your question was not very clear, Ashutosh. Repeat, if you don't mind.

Ashutosh Parashar: Yes, sure. So, the question was on the Vimta Labs profitability. Since the revenue run rate has somewhat reduced, so is it profitable for us at the EBITDA level at the moment? And the current quarter's margin after ESOP that we reported around 25.2% or 25.3%-odd. So, do we see this margin at the current level for the next couple of quarters by the time it gets consolidated fully and then the revenue run rate increases? Or should we expect it to normalize to 26%, 27% from the next quarter?

Rahul Guha: So, the Vimta profits are, I mean, around -- sorry, EBITDA loss at Vimta is about INR1.4 crores for the quarter, which is baked into the financials. There are no ESOPs in Vimta. So, keeping that aside, if I look at the next quarter, we definitely expect those losses to come down. Will they become 0? Probably not. But will they be at this level? Also no, right? Our goal is at least to get it to 0 towards the back 0.5 year. But definitely, it will not be at this level.

Moderator: Thank you. Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to Mr. Rahul Guha for closing comments. Over to you, sir.

Rahul Guha: Thank you, everyone, for joining us and spending time with us this evening. I want to go back to the original question on the reverse merger speculation that has been in the media. Once again, I would like to say, at the Thyrocare Board, this has not been discussed. And therefore, this remains largely speculative in nature.

I would like to remind all Thyrocare shareholders that should anything like this come up, it would require an affirmation from the Thyrocare shareholders and would require a majority of the minority. That being said, it remains, at this point, media speculation.

However, the company performance of Thyrocare is on a fantastic growth trajectory with both revenue much above the industry growth rate, and the profit growth also coming through despite all the different hits that we've had to take that Alok shared. And we continue to remain focused on maintaining this kind of growth trajectory and improving profits as we go forward.

As always, we continue to remain focused on our strategy, which is to be the most affordable, good quality diagnostic testing partner for anyone in the health care business, and we continue to execute on that strategy. We have been investing in improving our quality, improving our reach, and ensuring our turnaround time is as close to best-in-class.

And we've made substantial progress on all of this, and that is what is driving the results that you see. I thank you all for your support in this journey, and I wish you all a good evening. Thank you.

Moderator: Thank you. On behalf of Thyrocare Technologies Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.